

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Redford</u>	County Wayne
Audit Date March 31, 2006	Opinion Date July 27, 2006	Date Accountant Report Submitted To State: September 29, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 1000 Oakbrook Dr., Suite 400	City Ann Arbor	State MI	ZIP 48104
Accountant Signature  <i>Plante &amp; Moran, PLLC</i>			

# **Charter Township of Redford Wayne County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2006**

# Charter Township of Redford

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# Charter Township of Redford

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Redford  
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Redford's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Board of Trustees  
Charter Township of Redford  
Wayne County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Redford's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2006 on our consideration of the Charter Township of Redford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moreau, PLLC*

July 27, 2006

# **Charter Township of Redford**

## **Management's Discussion and Analysis**

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Our discussion and analysis of the Charter Township of Redford's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$91,000 this year from the 2005 fiscal year and over \$1,590,000 since the 2001 fiscal year.
- Short-term interest rates have reversed the recent year's downward trend and have begun to rise. Investment earnings increased substantially for the 2006 fiscal year by about \$590,000 above 2005, but remain about \$200,000 per year below 2001 fiscal year levels.
- Employee and postemployment health care costs for fiscal year 2006 approached \$5,000,000, of which \$2,300,000 paid for retiree health care and \$2,700,000 paid for active employees. Since 2001, fiscal year health care costs have increased by \$1,500,000 from an annual amount of \$3,500,000. This increase of over 40 percent is well above the CPI inflation rate and continues to be a disproportionate burden.
- After several years of downsizing and reorganizing, the Township's General Fund expenditures are back in line with revenues; several police officer positions have also been restored, but the capital expenditure program is still below historic levels. The Township's General Fund has a surplus this year of about \$435,000.
- Total net assets related to the Township's governmental activities increased by approximately \$1,213,000.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

# Charter Township of Redford

## Management's Discussion and Analysis (Continued)

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

### The Township as a Whole

The following table shows, in a condensed format, the approximate net assets as of March 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 28,463,000	\$ 27,521,000	\$ 7,147,000	\$ 6,484,000	\$ 35,610,000	\$ 34,005,000
Noncurrent assets	<u>13,441,000</u>	<u>13,698,000</u>	<u>48,471,000</u>	<u>49,982,000</u>	<u>61,912,000</u>	<u>63,680,000</u>
Total assets	41,904,000	41,219,000	55,618,000	56,466,000	97,522,000	97,685,000
<b>Liabilities</b>						
Current liabilities	5,496,000	5,412,000	1,839,000	2,411,000	7,335,000	7,823,000
Long-term liabilities	<u>10,156,000</u>	<u>10,768,000</u>	<u>14,700,000</u>	<u>15,815,000</u>	<u>24,856,000</u>	<u>26,583,000</u>
Total liabilities	<u>15,652,000</u>	<u>16,180,000</u>	<u>16,539,000</u>	<u>18,226,000</u>	<u>32,191,000</u>	<u>34,406,000</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	6,517,000	6,092,000	31,733,000	32,135,000	38,250,000	38,227,000
Restricted	7,286,000	6,664,000	993,000	952,000	8,279,000	7,616,000
Unrestricted	<u>12,449,000</u>	<u>12,283,000</u>	<u>6,353,000</u>	<u>5,153,000</u>	<u>18,802,000</u>	<u>17,436,000</u>
Total net assets	<u>\$ 26,252,000</u>	<u>\$ 25,039,000</u>	<u>\$ 39,079,000</u>	<u>\$ 38,240,000</u>	<u>\$ 65,331,000</u>	<u>\$ 63,279,000</u>

The current level of unrestricted net assets for our governmental activities stands at \$12,449,000, or about 37 percent of expenditures.



# Charter Township of Redford

## Management's Discussion and Analysis (Continued)

The following table shows the approximate changes of net assets for the years ended March 31, 2006 and 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 8,166,000	\$ 7,831,000	\$ 15,303,000	\$ 15,144,000	\$ 23,469,000	\$ 22,975,000
Operating grants and contributions	1,121,000	1,426,000	-	-	1,121,000	1,426,000
Capital grants and contributions	40,000	196,000	-	204,000	40,000	400,000
General revenue:						
Property taxes	19,009,000	17,866,000	-	-	19,009,000	17,866,000
State-shared revenue	5,674,000	5,764,000	-	-	5,674,000	5,764,000
Unrestricted investment earnings	838,000	357,000	185,000	77,000	1,023,000	434,000
Miscellaneous - Refunds	70,000	223,000	-	-	70,000	223,000
Gain on sale of assets	8,000	10,000	19,000	12,000	27,000	22,000
Transfers and other revenue	-	-	-	154,000	-	154,000
Total revenue	34,926,000	33,673,000	15,507,000	15,591,000	50,433,000	49,264,000
<b>Program Expenses</b>						
General government	6,844,000	6,900,000	-	-	6,844,000	6,900,000
Public safety	18,075,000	17,334,000	-	-	18,075,000	17,334,000
Public works	5,849,000	4,612,000	-	-	5,849,000	4,612,000
Health and welfare	528,000	512,000	-	-	528,000	512,000
Community and economic development	1,044,000	2,060,000	-	-	1,044,000	2,060,000
Recreation and culture	1,024,000	917,000	-	-	1,024,000	917,000
Interest on long-term debt	349,000	378,000	-	-	349,000	378,000
Indoor ice rink	-	-	71,000	587,000	71,000	587,000
Water and sewer	-	-	11,838,000	11,966,000	11,838,000	11,966,000
Golf course	-	-	1,369,000	1,350,000	1,369,000	1,350,000
Senior housing	-	-	530,000	485,000	530,000	485,000
Protective inspection	-	-	860,000	924,000	860,000	924,000
Transfers	-	154,000	-	-	-	154,000
Total program expenses	33,713,000	32,867,000	14,668,000	15,312,000	48,381,000	48,179,000
<b>Change in Net Assets</b>	<b>\$ 1,213,000</b>	<b>\$ 806,000</b>	<b>\$ 839,000</b>	<b>\$ 279,000</b>	<b>\$ 2,052,000</b>	<b>\$ 1,085,000</b>

The Township is a mature community that developed post-World War II as an early suburban community. Because of our fully developed status, there is little space for new development and tax-base growth. Our efforts are being directed at redevelopment, especially of commercial, industrial, and public lands.

### Governmental Activities

Local property taxes and state-shared revenues make up approximately 71 percent, or \$24,683,000, of the Township's total governmental revenues of \$34,926,000. The largest area of expenditures is in the public safety and criminal justice activities, costing approximately \$20,600,000, or 59 percent of the total governmental revenues. The public works activities, including solid waste disposal, cost approximately \$5,800,000, or 17 percent of revenues. The remaining \$7,366,000 of expenses, or 21 percent of revenues, pay for recreation, community development, health and welfare, general government activities, and interest on debt. Of the total \$6,844,000 expenditures in the general government activities, approximately \$2,475,000, or 36 percent, are expenditures for the district court and criminal justice departments.

# **Charter Township of Redford**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The business-type activities consist of the Water and Sewer Fund, Indoor Ice Rink Fund, Golf Course Fund, Senior Citizen Housing Fund, and the Protective Inspection Fund.

- The Township provides water and sewer services to residents and businesses connected to the system. The system generates revenues from customers of the system, such that the system is financially self-sufficient and not reliant on taxes. The Township purchases water as a wholesale customer of the Detroit water and sewer department. The Township hired an engineering firm in February 2004 to study the water distribution and metering system to determine the factors contributing to the water loss increase. The results of the study identified several areas of water loss that have been corrected. Early indications show a significant reduction in the water loss percentage. As a result, the Water and Sewer Fund had an operating surplus for the second consecutive year in 2006. The Township operates a combined sewerage transmission system that collects sanitary sewerage from customers and storm water run-off during rain events for delivery to the Detroit sewerage treatment facility. The fund realized an operating surplus of approximately \$1,005,000 and an increase in net assets of approximately \$675,000.
- As of July 1, 2005, the operations of the Township Ice Arena were contracted to a private firm. The decision to privatize resulted from several years of growing operating deficits that required General Fund subsidies that reached \$167,000 in the 2005 fiscal year. Under the terms of the contract, the Township will realize revenues from the facility lease and a share of certain other revenues. This arrangement provides the continuation of the recreation programs for our citizens and mitigates the exposure to operating losses.
- The Township owns and operates Glenhurst Municipal Golf Course as a business-type activity. The operations of the golf course have continually generated sufficient surpluses to provide resources for major reinvestment in the golf course infrastructure. Two years ago, an \$800,000 renovation project was completed on the course. The improvements have been well received by our regular patrons. The capital improvements and renovations were paid from retained earnings. The existing debt of \$738,000 is from bonds issued to purchase the course in 1989 and later refinanced to take advantage of lower interest rates. The Golf Course generated a surplus of \$73,000 on revenues of \$1,400,000.
- The Township owns and operates a 92-unit independent-living senior citizens apartment complex named Minock Meadows, available to current and former residents, and family members of residents. The facility provides reasonably priced market rate housing for self-sufficient seniors interested in remaining in the Township. The financial results show an operating surplus of \$300,000 before debt service and depreciation. The facility was opened October 1, 1993. The construction was financed by issuing bonds, of which \$3,260,000 of principal remains outstanding.

# **Charter Township of Redford**

## **Management's Discussion and Analysis (Continued)**

- The Protective Inspection Fund is operated as a business-type activity. The fund accounts for activities related to construction code enforcement. The goal of the operation is to generate sufficient revenues from building ordinance code fees to support the cost of operations. For fiscal year 2006, the fund accomplished that with a breakeven year.

### **The Township's Funds**

Our analysis of the major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as solid waste, special grants, and capital projects. The Township's major fund for fiscal year 2006 was the General Fund.

- The General Fund pays for most of the Township's governmental services. The most costly services are police and fire, which incurred expenses of approximately \$17,000,000 in fiscal year 2006. These two activities are partially funded by three police and fire millages. During the current year, this amounted to approximately \$3,860,000 for operations and \$3,700,000 for the retirement system. The remaining \$9,440,000 operating cost of the police and fire departments is funded by other revenue of the General Fund. In addition, the General Fund pays for the cost of general governmental services including district court, probation and criminal justice activities, treasury and financial operations, central staff services, recreation, public works, and various other activities totaling \$9,900,000.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. An amendment was passed, increasing estimated revenues by \$800,000. Revenues from court fines and investment earnings were the categories with the most significant increases.

On the appropriation side of the budget, adjustments were made to various departments responding to the revenue increases; most notably were increases in appropriations for police protection in the amount of \$350,000.

### **Capital Asset and Debt Administration**

At the end of the fiscal year, the Township had over \$60,239,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines, net of related accumulated depreciation. The capital assets made up 62 percent of the Township's total assets amount of \$97,500,000. Capital expenditures programs were modestly restored this year after fiscal year 2005 near elimination.

# **Charter Township of Redford**

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## **Management's Discussion and Analysis (Continued)**

The long-term debt amount of \$25,800,000 is related to the investment in capital assets and a Brownfield Redevelopment project. In this fiscal year, the Township incurred new debt to finance the cost of demolition, site improvements, and infrastructure to develop a former obsolete school site for new housing. At the end of the fiscal year, the Township had \$6.7 million in debt in the governmental-type activities while business-type activities had \$15.2 million outstanding, with 75 percent of that in the Water and Sewer Fund and \$3.9 million in component unit debt.

### **Economic Factors and Next Year's Budgets and Rates**

The Township's budget for next year calls for property tax rates slightly greater than those levied for the 2005-2006 budget due to an increase in Police and Fire Pension Special Assessment millage. The Township is a mature community with growth in taxable value limited to the inflation factors of Headlee and Proposal A. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Water and sewer rates will increase in the 2007 fiscal year by approximately 5 percent. The Detroit Water and Sewer Department increased its water rate to the Township by 11 percent and Wayne County increased the sewerage rate by 3 percent.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township's finance department.

# Charter Township of Redford

## Statement of Net Assets (Deficit) March 31, 2006

	Primary Government			Component
	Governmental	Business-type		Units
	Activities	Activities	Total	
<b>Assets</b>				
Cash and investments (Note 2)	\$ 22,549,959	\$ 4,312,708	\$ 26,862,667	\$ 2,909,582
Receivables - Net (Note 3)	5,474,262	2,856,784	8,331,046	16,972
Internal balances	95,486	(95,486)	-	-
Due from component units	115,409	-	115,409	-
Inventories and other assets	23,293	72,829	96,122	-
Deposits	320,181	-	320,181	-
Unamortized bond issuance costs	-	365,837	365,837	173,372
Restricted assets (Notes 2 and 7)	-	993,181	993,181	-
Nondepreciable capital assets (Note 4)	720,620	2,104,321	2,824,941	230,000
Depreciable capital assets - Net (Note 4)	12,549,976	44,863,740	57,413,716	-
Net pension asset	54,507	-	54,507	-
Unamortized goodwill	-	143,680	143,680	-
<b>Total assets</b>	<b>41,903,693</b>	<b>55,617,594</b>	<b>97,521,287</b>	<b>3,329,926</b>
<b>Liabilities</b>				
Accounts payable	904,145	212,696	1,116,841	449,495
Accrued liabilities	765,915	402,248	1,168,163	-
Deferred revenue (Note 3)	9,726	-	9,726	-
Due to primary government	-	-	-	115,409
Due to other governmental units	16,085	-	16,085	-
Estimated insurance and other liabilities	2,796,760	80,744	2,877,504	-
Provision for compensated absences:				
Due within one year	175,648	-	175,648	-
Due in more than one year	4,230,039	608,252	4,838,291	-
Long-term debt (Note 6):				
Due within one year	827,536	1,143,120	1,970,656	-
Due in more than one year	5,925,772	14,091,728	20,017,500	3,900,000
<b>Total liabilities</b>	<b>15,651,626</b>	<b>16,538,788</b>	<b>32,190,414</b>	<b>4,464,904</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	6,517,288	31,733,213	38,250,501	-
Restricted for:				
Solid waste management	2,269,775	-	2,269,775	-
Community Development Block Grant	719,799	-	719,799	-
Drain	771,390	-	771,390	-
Drug law enforcement	1,429,951	-	1,429,951	-
Bond debt service	561,884	993,181	1,555,065	-
Other purposes (Note 9)	1,532,917	-	1,532,917	-
Unrestricted	12,449,063	6,352,412	18,801,475	(1,134,978)
<b>Total net assets (deficit)</b>	<b>\$ 26,252,067</b>	<b>\$ 39,078,806</b>	<b>\$ 65,330,873</b>	<b>\$ (1,134,978)</b>

# Charter Township of Redford

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and Contributions	and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 6,843,942	\$ 4,862,384	\$ 175,149	\$ -
Public safety	18,074,619	2,686,842	74,191	40,264
Public works	5,849,009	136,354	-	-
Health and welfare	528,105	27,082	114,470	-
Community and economic development	1,044,181	132,378	757,642	-
Recreation and culture	1,024,072	320,718	-	-
Interest on long-term debt	348,914	-	-	-
Total governmental activities	33,712,842	8,165,758	1,121,452	40,264
Business-type activities:				
Indoor ice rink	71,454	113,899	-	-
Water and sewer	11,837,745	12,361,762	-	-
Golf course	1,368,925	1,397,389	-	-
Senior housing	530,137	589,616	-	-
Protective inspection	859,946	840,229	-	-
Total business-type activities	14,668,207	15,302,895	-	-
Total primary government	<u>\$ 48,381,049</u>	<u>\$ 23,468,653</u>	<u>\$ 1,121,452</u>	<u>\$ 40,264</u>
Component units:				
Downtown Development Authority	\$ 99,870	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	1,487,107	5,000	-	-
Total component units	<u>\$ 1,586,977</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Investment earnings				
Miscellaneous - Refunds and rebates				
Gain on sale of assets				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended March 31, 2006**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,806,409)	\$ -	\$ (1,806,409)	\$ -
(15,273,322)	-	(15,273,322)	-
(5,712,655)	-	(5,712,655)	-
(386,553)	-	(386,553)	-
(154,161)	-	(154,161)	-
(703,354)	-	(703,354)	-
(348,914)	-	(348,914)	-
(24,385,368)	-	(24,385,368)	-
-	42,445	42,445	-
-	524,017	524,017	-
-	28,464	28,464	-
-	59,479	59,479	-
-	(19,717)	(19,717)	-
-	634,688	634,688	-
(24,385,368)	634,688	(23,750,680)	-
-	-	-	(99,870)
-	-	-	(1,482,107)
-	-	-	(1,581,977)
19,009,415	-	19,009,415	227,261
5,672,533	-	5,672,533	-
838,387	185,100	1,023,487	25,986
70,293	-	70,293	-
7,664	19,000	26,664	-
25,598,292	204,100	25,802,392	253,247
1,212,924	838,788	2,051,712	(1,328,730)
25,039,143	38,240,018	63,279,161	193,752
<b>\$ 26,252,067</b>	<b>\$ 39,078,806</b>	<b>\$ 65,330,873</b>	<b>\$ (1,134,978)</b>

# Charter Township of Redford

## Governmental Funds Balance Sheet March 31, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 9,916,616	\$ 8,475,386	\$ 18,392,002
Receivables - Net (Note 3)	1,655,959	2,497,084	4,153,043
Prepaid costs and other assets	23,293	-	23,293
Due from other funds (Note 5)	117,147	108,118	225,265
Due from component units	115,409	-	115,409
Due from other governmental units (Note 3)	1,208,333	112,886	1,321,219
Total assets	<u>\$ 13,036,757</u>	<u>\$ 11,193,474</u>	<u>\$ 24,230,231</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 545,354	\$ 358,791	\$ 904,145
Accrued liabilities	470,154	295,008	765,162
Due to other funds	114,520	115,259	229,779
Due to other governmental units	9,578	6,507	16,085
Deferred revenue (Note 3)	1,575,383	2,598,070	4,173,453
Deposits and other liabilities	608,422	-	608,422
Total liabilities	3,323,411	3,373,635	6,697,046
<b>Fund Balances</b>			
Reserved for:			
General Fund (Note 9)	211,528	-	211,528
911 dispatch	-	8,195	8,195
Debt service	-	494,440	494,440
Road improvement	-	43,397	43,397
Unreserved, reported in General Fund - Designated (Note 9)	9,501,818	-	9,501,818
Unreserved, reported in Special Revenue Funds - Undesignated	-	3,493,624	3,493,624
Unreserved, reported in Capital Projects Funds - Designated for future capital improvements	-	3,780,183	3,780,183
Total fund balances	9,713,346	7,819,839	17,533,185
Total liabilities and fund balances	<u>\$ 13,036,757</u>	<u>\$ 11,193,474</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	13,270,596
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	1,225,802
Delinquent personal and real property taxes are expected to be collected over several years and are not available to pay for current year expenditures	2,037,861
Net pension asset not recorded on the modified accrual statements	54,507
Deferred revenue related to grants was not collected within 60 days of year end and is not available to pay for current year expenditures	900,064
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(11,158,995)
Accrued interest is not due and payable in the current period and is not reported in the funds	(753)
Internal Service Funds are included as part of governmental activities	2,389,800
Net assets of governmental activities	<u>\$ 26,252,067</u>



# Charter Township of Redford

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2006

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ 14,572,985	\$ 4,095,416	\$ 18,668,401
State sources	5,837,302	116,191	5,953,493
Federal sources	104,876	1,320,478	1,425,354
Licenses, permits, and fees	521,260	-	521,260
Charges for services	1,053,745	964,982	2,018,727
Fines and forfeitures	3,416,870	1,209,335	4,626,205
Interest income	633,134	268,731	901,865
Local contribution	-	512,472	512,472
Other	1,212,895	96,519	1,309,414
Total revenue	27,353,067	8,584,124	35,937,191
<b>Expenditures</b>			
Current:			
General government	7,039,462	-	7,039,462
Public safety	16,876,401	603,714	17,480,115
Public works	1,253,964	3,275,097	4,529,061
Health and welfare	170,176	379,110	549,286
Community and economic development	208,008	1,396,554	1,604,562
Recreation and culture	912,971	-	912,971
Capital outlay	-	2,040,756	2,040,756
Debt service	-	554,400	554,400
Total expenditures	26,460,982	8,249,631	34,710,613
<b>Excess of Revenue Over Expenditures</b>	892,085	334,493	1,226,578
<b>Other Financing Sources (Uses)</b>			
Transfers in (Note 5)	-	709,547	709,547
Transfers out (Note 5)	(456,647)	(252,900)	(709,547)
Total other financing sources (uses)	(456,647)	456,647	-
<b>Net Change in Fund Balances</b>	435,438	791,140	1,226,578
<b>Fund Balances - Beginning of year</b>	9,277,908	7,028,699	16,306,607
<b>Fund Balances - End of year</b>	<u>\$ 9,713,346</u>	<u>\$ 7,819,839</u>	<u>\$ 17,533,185</u>

# Charter Township of Redford

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2006**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,226,578

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation (340,310)

Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, the proceeds are reduced by the net book value of the assets sold to report a gain (loss) (23,996)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (12,428)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) (89,715)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 789,671

Increases in accumulated employee sick and vacation pay, as well as estimated general liability claims, are recorded when earned in the statement of activities (120,373)

Net pension asset is recorded as an expenditure in the governmental funds, but not in the statement of activities (where it is recorded as an asset and amortized) 54,507

Internal Service Funds are also included as governmental activities (271,010)

**Change in Net Assets of Governmental Activities** \$ 1,212,924

# Charter Township of Redford

## Proprietary Funds Statement of Net Assets March 31, 2006

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and investments (Note 2)	\$ 3,155,005	\$ 366,272	\$ 791,431	\$ 4,312,708	\$ 4,157,957
Receivables - Net	2,835,526	-	21,258	2,856,784	-
Due from other funds (Note 5)	97,742	-	-	97,742	141,000
Inventories and other assets	58,571	-	14,258	72,829	-
Deposits	-	-	-	-	320,181
Total current assets	6,146,844	366,272	826,947	7,340,063	4,619,138
Noncurrent assets:					
Unamortized bond issuance costs	302,023	28,387	35,427	365,837	-
Restricted assets (Note 7)	993,181	-	-	993,181	-
Capital assets (Note 4)	40,056,259	3,326,292	3,585,510	46,968,061	-
Unamortized goodwill	-	-	143,680	143,680	-
Total noncurrent assets	41,351,463	3,354,679	3,764,617	48,470,759	-
Total assets	47,498,307	3,720,951	4,591,564	55,810,822	4,619,138
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	185,607	6,851	20,238	212,696	-
Accrued liabilities	329,179	58,797	14,272	402,248	-
Due to other funds	82,000	29,308	81,920	193,228	41,000
Other liabilities and advances	29,984	50,700	60	80,744	2,188,338
Current portion of long-term debt	846,033	147,265	149,822	1,143,120	-
Total current liabilities	1,472,803	292,921	266,312	2,032,036	2,229,338
Noncurrent liabilities:					
Provision for compensated absences	407,153	19,486	181,613	608,252	-
Long-term debt - Net of current portion	10,597,194	2,956,021	538,513	14,091,728	-
Total noncurrent liabilities	11,004,347	2,975,507	720,126	14,699,980	-
Total liabilities	12,477,150	3,268,428	986,438	16,732,016	2,229,338
<b>Net Assets</b>					
Investment in capital assets - Net of related debt	28,613,032	223,006	2,897,175	31,733,213	-
Restricted assets	993,181	-	-	993,181	-
Unrestricted	5,414,944	229,517	707,951	6,352,412	2,389,800
Total net assets	<u>\$ 35,021,157</u>	<u>\$ 452,523</u>	<u>\$ 3,605,126</u>	<u>\$ 39,078,806</u>	<u>\$ 2,389,800</u>

# Charter Township of Redford

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2006

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenue</b>					
Charges for services	\$ 12,361,762	\$ 589,616	\$ 1,511,288	\$ 14,462,666	\$ -
Permits	-	-	840,229	840,229	-
Township contributions	-	-	-	-	4,933,767
<b>Total operating revenue</b>	<b>12,361,762</b>	<b>589,616</b>	<b>2,351,517</b>	<b>15,302,895</b>	<b>4,933,767</b>
<b>Operating Expenses</b>					
Cost of water and sewer transmission and distribution	8,354,086	-	-	8,354,086	-
General and administrative costs	1,554,287	288,918	1,944,656	3,787,861	-
Depreciation and amortization	1,447,697	96,041	326,238	1,869,976	-
Benefit payments, reinsurance charges, and claim administration	-	-	-	-	5,204,777
<b>Total operating expenses</b>	<b>11,356,070</b>	<b>384,959</b>	<b>2,270,894</b>	<b>14,011,923</b>	<b>5,204,777</b>
<b>Operating Income (Loss)</b>	<b>1,005,692</b>	<b>204,657</b>	<b>80,623</b>	<b>1,290,972</b>	<b>(271,010)</b>
<b>Nonoperating Revenue (Expense)</b>					
Interest income	150,634	7,733	26,733	185,100	-
Interest expense	(481,675)	(145,178)	(29,431)	(656,284)	-
Gain on disposal of assets	-	-	19,000	19,000	-
<b>Total nonoperating revenue (expense)</b>	<b>(331,041)</b>	<b>(137,445)</b>	<b>16,302</b>	<b>(452,184)</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>674,651</b>	<b>67,212</b>	<b>96,925</b>	<b>838,788</b>	<b>(271,010)</b>
<b>Net Assets - Beginning of year</b>	<b>34,346,506</b>	<b>385,311</b>	<b>3,508,201</b>	<b>38,240,018</b>	<b>2,660,810</b>
<b>Net Assets - End of year</b>	<b>\$ 35,021,157</b>	<b>\$ 452,523</b>	<b>\$ 3,605,126</b>	<b>\$ 39,078,806</b>	<b>\$ 2,389,800</b>

# Charter Township of Redford

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2006

	Water and Sewer	Senior Housing	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash Flows from Operating Activities</b>					
Receipts from customers	\$ 12,355,541	\$ 589,616	\$ 2,365,539	\$ 15,310,696	\$ -
Contributions received	-	-	-	-	4,933,767
Payments to suppliers	(8,422,116)	(200,585)	(1,232,483)	(9,855,184)	-
Payments to employees	(1,980,224)	(88,598)	(831,747)	(2,900,569)	-
Internal activity - Receipts from (payments to) other funds	(128,637)	(2,634)	31,008	(100,263)	(88,000)
Claims paid	-	-	-	-	(4,837,974)
Net cash provided by operating activities	1,824,564	297,799	332,317	2,454,680	7,793
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from sale of assets	-	-	19,000	19,000	-
Purchase of capital assets	(81,365)	-	(108,583)	(189,948)	-
Principal and interest paid on capital debt	(1,341,675)	(322,475)	(198,434)	(1,862,584)	-
Net cash used in capital and related financing activities	(1,423,040)	(322,475)	(288,017)	(2,033,532)	-
<b>Cash Flows from Investing Activities</b>					
Interest received on investments	150,634	7,733	26,733	185,100	-
Purchase of investment securities	-	-	(162)	(162)	-
Proceeds from sale and maturities of investment securities	(690)	-	-	(690)	-
Net cash provided by investing activities	149,944	7,733	26,571	184,248	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	551,468	(16,943)	70,871	605,396	7,793
<b>Cash and Cash Equivalents - Beginning of year</b>	3,573,787	383,215	715,638	4,672,640	4,150,164
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 4,125,255</b>	<b>\$ 366,272</b>	<b>\$ 786,509</b>	<b>\$ 5,278,036</b>	<b>\$ 4,157,957</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>					
Cash and investments	\$ 3,155,005	\$ 366,272	\$ 791,431	\$ 4,312,708	\$ 4,157,957
Restricted cash (Note 7)	970,250	-	-	970,250	-
Less amounts classified as investments	-	-	(4,922)	(4,922)	-
Total cash and cash equivalents	<b>\$ 4,125,255</b>	<b>\$ 366,272</b>	<b>\$ 786,509</b>	<b>\$ 5,278,036</b>	<b>\$ 4,157,957</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,005,692	\$ 204,657	\$ 80,623	\$ 1,290,972	\$ (271,010)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation and amortization	1,447,697	96,041	326,238	1,869,976	-
Changes in assets and liabilities:					
Receivables	(6,221)	-	14,022	7,801	-
Due from other funds	(97,742)	-	-	(97,742)	(129,000)
Inventory and other assets	(4,290)	-	(330)	(4,620)	-
Deposits	-	-	-	-	149,853
Accounts payable	(363,837)	(489)	(15,016)	(379,342)	-
Accrued and other liabilities	(125,840)	224	(104,228)	(229,844)	216,950
Due to other funds	(30,895)	(2,634)	31,008	(2,521)	41,000
Net cash provided by operating activities	<b>\$ 1,824,564</b>	<b>\$ 297,799</b>	<b>\$ 332,317</b>	<b>\$ 2,454,680</b>	<b>\$ 7,793</b>

There were no significant noncash investing, capital, or financing activities during the year ended March 31, 2006.

# Charter Township of Redford

## Fiduciary Funds Statement of Net Assets March 31, 2006

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 5,986,442	\$ 590,552
Investments (Note 2):		
Corporate bonds	12,102,858	-
U.S. government securities	6,640,295	-
Common and preferred stock	31,208,938	-
Foreign securities	10,448,446	-
Limited partnerships	56,128	-
Receivables - Accrued interest	342,958	-
Due from other governmental units	-	145,690
Other assets	-	32,853
	<hr/>	<hr/>
Total assets	66,786,065	769,095
<b>Liabilities</b>		
Accounts payable	8,624	28,428
Accrued and other liabilities	-	6,600
Due to other governmental units	-	1,601
Deferred revenue	-	732,466
	<hr/>	<hr/>
Total liabilities	8,624	769,095
<b>Net Assets - Held in trust</b>	<b><u>\$ 66,777,441</u></b>	<b><u>\$ -</u></b>

# Charter Township of Redford

## Fiduciary Funds Statement of Changes in Net Assets Year Ended March 31, 2006

	Pension Trust Fund	Private Purpose Trust Fund (HIDTA)
<b>Additions</b>		
Investment income:		
Interest and dividends	\$ 2,363,723	\$ -
Net appreciation in fair value of investments	4,831,911	-
Investment expenses	(344,692)	-
	<hr/>	<hr/>
Net investment income	6,850,942	-
Contributions	3,807,770	-
Federal grants	-	3,006,860
	<hr/>	<hr/>
Total additions	10,658,712	3,006,860
<b>Deductions</b>		
Benefit payments	5,871,336	-
Refunds and withdrawals	343,969	-
Administrative expenses	95,735	-
Public safety expenses	-	3,006,860
	<hr/>	<hr/>
Total deductions	6,311,040	3,006,860
<b>Net Increase</b>	4,347,672	-
<b>Net Assets Held in Trust</b>		
Beginning of year	62,429,769	-
	<hr/>	<hr/>
End of year	<u><u>\$ 66,777,441</u></u>	<u><u>\$ -</u></u>

# Charter Township of Redford

## Component Units Statement of Net Assets (Deficit) March 31, 2006

	Downtown Development Authority	Brownfield Redevelopment Financing Authority	Total
<b>Assets</b>			
Current assets:			
Cash and investments (Note 2)	\$ 283,409	\$ 2,626,173	\$ 2,909,582
Delinquent taxes receivable	8,532	8,440	16,972
Total current assets	291,941	2,634,613	2,926,554
Noncurrent assets:			
Unamortized bond issuance costs	-	173,372	173,372
Land held for resale	230,000	-	230,000
Total noncurrent assets	230,000	173,372	403,372
Total assets	521,941	2,807,985	3,329,926
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	12,425	437,070	449,495
Due to primary government	-	115,409	115,409
Total current liabilities	12,425	552,479	564,904
Noncurrent liabilities - Long-term debt	230,000	3,670,000	3,900,000
Total liabilities	242,425	4,222,479	4,464,904
<b>Net Assets (Deficit) - Unrestricted</b>	<b>\$ 279,516</b>	<b>\$ (1,414,494)</b>	<b>\$ (1,134,978)</b>



## Charter Township of Redford

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		<u>Program Revenues</u>
	<u>Expenses</u>	<u>Charges for Services</u>
Downtown Development Authority - Public works	\$ 99,870	\$ -
Brownfield Redevelopment Authority - Community development	<u>1,487,107</u>	<u>5,000</u>
Total component units	<u><b>\$ 1,586,977</b></u>	<u><b>\$ 5,000</b></u>

### General Revenues

Property taxes

Interest

Total general revenues

### Change in Net Assets (Deficit)

**Net Assets (Deficit)** - Beginning of year

**Net Assets (Deficit)** - End of year

**Component Units  
Statement of Activities  
Year Ended March 31, 2006**

Net (Expense) Revenue and Changes in Net Assets

Downtown Development Authority	Brownfield Redevelopment Authority	Total
<hr/>		
\$ (99,870)	\$ -	\$ (99,870)
-	(1,482,107)	(1,482,107)
<hr/>		
(99,870)	(1,482,107)	(1,581,977)
110,386	116,875	227,261
9,774	16,212	25,986
<hr/>		
120,160	133,087	253,247
<hr/>		
20,290	(1,349,020)	(1,328,730)
259,226	(65,474)	193,752
<hr/>		
<b>\$ 279,516</b>	<b>\$ (1,414,494)</b>	<b>\$ (1,134,978)</b>

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Redford (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Redford:

#### **Reporting Entity**

The Charter Township of Redford is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

#### **Blended Component Units**

The Redford Township Building Authority is governed by a board that is appointed by the Township board. Although it is legally separate from the Township, it is reported in the General Fund as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Redford Township Police and Fire Retirement System has also been blended into the Township's financial statements. The system is governed by a five-member pension board that includes two individuals chosen by the Township board. The system is reported in a Trust Fund as if it were part of the primary government because of the fiduciary responsibility that the Township retains relative to the operations of the retirement system.

#### **Discretely Presented Component Units**

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body is appointed by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The DDA does not publish separately issued financial statements. The DDA can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The Brownfield Redevelopment Financing Authority was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority's governing body is approved by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The Authority does not publish separately issued financial statements. The Authority can be contacted at the Township offices at 15145 Beech Daly Road, Redford Township, Michigan 48239.

The Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township, primarily through loans to eligible businesses. The EDC had no financial activity during the year ended March 31, 2006.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental fund:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the results of operations for providing water and sewer services to the citizens and businesses of the Township. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Senior Housing Fund** - The Senior Housing Fund accounts for the results of operations for providing senior housing facilities to elderly citizens of the Township. The revenues are generated through monthly rental payments made by tenants.

Additionally, the Township reports the following fund types:

**Internal Service Fund** - The Internal Service Fund accounts for the general liability insurance and health insurance provided to other funds of the Township, primarily on a cost-reimbursement basis.

**Pension Trust Fund** - The Police and Fire Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

**Private Purpose Trust Fund (HIDTA)** - The Federal Law Enforcement Trust Fund accounts for assets held by the Township in a trustee capacity.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2005 tax is levied and collectible on December 1, 2005 and is recognized as revenue in the year ended March 31, 2006, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2005 taxable valuation of the Township totaled \$1.32 billion (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 4.2673 mills for general operating purposes, 2.9868 mills for police and fire operating purposes, 2.8750 mills for police and fire pension, 2.6210 mills for solid waste management, 0.6017 mills for street lighting, 0.4327 mills for police station debt service, and 0.1089 mills for Dial-A-Ride operating purposes. This resulted in \$5.5 million for general operating purposes, \$3.9 million for police and fire operating purposes, \$3.7 million for police and fire pension, \$3.4 million for solid waste management, \$0.7 million for street lighting, \$0.6 million for police station debt service, and \$0.1 million for Dial-A-Ride operating purposes. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Charter Township of Redford's water and sewer lines.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Land improvements	7 to 50 years
Road usage rights	15 years
Buildings and improvements	7 to 50 years
Water and sewer facilities	50 to 100 years
Water meters	20 to 60 years
CSO basin	30 years
Vehicles	3 to 10 years
Equipment	5 to 10 years
Office equipment	5 to 7 years
Furniture and fixtures	7 years

**Goodwill** - The Township purchased a golf course and is recording the activity in the Golf Course Fund (business-type activity). The excess of the purchase price over the fair market value of tangible assets was recorded as goodwill.

**Amortization** - Bond issuance costs and discounts recorded in the business-type activities are being amortized over the life of the bonds. A portion of the purchase price of the golf course has been recorded as goodwill in the Golf Course Fund and is being amortized over 20 years. For the year ended March 31, 2006, amortization of \$207,620 has been included in the operating expenses of the business-type activities, and accumulated amortization totaled \$1,642,029.



# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

In addition, bond issuance costs in the component units are also being amortized over the life of the bonds. For the year ended March 31, 2006, amortization of \$9,125 has been included in the community development expenses, and accumulated amortization totaled \$9,125.

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

# Charter Township of Redford

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## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Township has designated 13 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Charter Township of Redford's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$21,959,157 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$696,712 of bank deposits that were uninsured and uncollateralized.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments (Continued)

**Custodial Credit Risk of Investments** - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the Township had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

**Interest Rate Risk** - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (in Years)
U.S. Agency securities (pension)	\$ 6,640,295	26.27
Corporate bonds (pension)	12,102,858	7.42

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
<b>Government-wide</b>			
National City Municipal Investment Fund	\$ 1,846,000	Not Rated	
MBIA Pooled Accounts	1,496,047	Not Rated	
Comerica J-Fund	4,600,968	AI, PI	S&P, Moody's
Bank One Governmental Investment Pool	4,922	Aaa	S&P
Allegiant Money Market Fund (pension)	7,807,987	AAm	S&P
Government securities (pension)	6,250,280	AAA	S&P
Corporate bonds (pension)	2,903,271	A	S&P
Corporate bonds (pension)	2,018,704	A+	S&P
Corporate bonds (pension)	1,637,426	A-	S&P

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 2 - Deposits and Investments (Continued)

Investment	Fair Value	Rating	Rating Organization
<b>Government-wide (Continued)</b>			
Corporate bonds (pension)	\$ 823,169	AA-	S&P
Corporate bonds (pension)	585,386	AAA	S&P
Corporate bonds (pension)	597,703	BB-	S&P
Corporate bonds (pension)	2,360,680	BBB	S&P
Corporate bonds (pension)	716,636	BBB+	S&P
Corporate bonds (pension)	459,884	BBB-	S&P
<b>Component Units</b>			
Comerica J-Fund	2,010,665	AI, PI	S&P, Moody's

**Concentration of Credit Risk** - The Township limits the amount the Township may invest in any one issuer to 5 percent. No more than 5 percent of the Township's investments are invested in any one issuer.

### Note 3 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities			Business-type Activities			Total
	General Fund	Nonmajor Funds	Total	Water and Sewer	Nonmajor Funds	Total	
Receivables:							
Taxes	\$ 1,623,929	\$ 472,204	\$ 2,096,133	\$ -	\$ -	\$ -	\$ 2,096,133
Accounts	34,331	11,232	45,563	2,738,650	-	2,738,650	2,784,213
Interest and other	57,929	4,894	62,823	-	1,881	1,881	64,704
Special assessments	-	1,288,955	1,288,955	96,876	19,377	116,253	1,405,208
Housing rehabilitation loans	-	719,799	719,799	-	-	-	719,799
Intergovernmental	1,208,333	112,886	1,321,219	-	-	-	1,321,219
Less allowance for uncollectibles	(60,230)	-	(60,230)	-	-	-	(60,230)
Net receivables	\$ 2,864,292	\$ 2,609,970	\$ 5,474,262	\$ 2,835,526	\$ 21,258	\$ 2,856,784	\$ 8,331,046

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 3 - Receivables and Deferred Revenue (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 2,037,861	\$ -
Special assessments	1,225,802	-
Community Development Block Grant	811,139	-
Home Grant	88,925	-
Cinco De Mayo festival	-	9,726
Total	<u>\$ 4,163,727</u>	<u>\$ 9,726</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 720,620	\$ -	\$ -	\$ 720,620
Capital assets being depreciated:				
Land improvements	1,779,435	-	-	1,779,435
Road usage rights*	169,464	-	-	169,464
Buildings and improvements	14,920,214	13,574	-	14,933,788
Vehicles	2,552,548	213,050	246,720	2,518,878
Equipment	786,656	-	12,000	774,656
Office equipment	1,338,605	296,318	-	1,634,923
Furniture and fixtures	45,592	-	-	45,592
Subtotal	21,592,514	522,942	258,720	21,856,736
Accumulated depreciation:				
Land improvements	464,900	56,093	-	520,993
Road usage rights*	10,164	10,164	-	20,328
Buildings and improvements	5,029,368	310,556	-	5,339,924
Vehicles	1,713,984	206,622	222,724	1,697,882
Equipment	534,444	79,122	12,000	601,566
Office equipment	890,892	197,095	-	1,087,987
Furniture and fixtures	34,480	3,600	-	38,080
Subtotal	8,678,232	863,252	234,724	9,306,760
Net capital assets being depreciated	12,914,282	(340,310)	23,996	12,549,976
Net capital assets	\$ 13,634,902	\$ (340,310)	\$ 23,996	\$ 13,270,596

\* Road usage rights represent the Township's contribution to roads owned and operated by the County, use of which will be amortized over 15 years.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 4 - Capital Assets (Continued)

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 809,259	\$ -	\$ -	\$ 809,259
Construction in progress	1,431,381	66,507	202,826	1,295,062
Subtotal	2,240,640	66,507	202,826	2,104,321
Capital assets being depreciated:				
Water and sewer facilities	30,853,305	159,607	-	31,012,912
Water meters	1,972,103	-	-	1,972,103
CSO basin	18,950,477	-	-	18,950,477
Buildings and improvements	9,881,198	43,218	-	9,924,416
Vehicles	1,046,261	-	49,600	996,661
Equipment	2,614,508	123,441	138,437	2,599,512
Subtotal	65,317,852	326,266	188,037	65,456,081
Accumulated depreciation:				
Water and sewer facilities	6,268,687	462,544	-	6,731,231
Water meters	1,564,636	99,278	-	1,663,914
CSO basin	4,732,769	631,683	-	5,364,452
Buildings and improvements	3,571,879	268,846	-	3,840,725
Vehicles	828,082	52,042	49,600	830,524
Other equipment	2,151,969	147,963	138,437	2,161,495
Subtotal	19,118,022	1,662,356	188,037	20,592,341
Net capital assets being depreciated	46,199,830	(1,336,090)	-	44,863,740
Net capital assets	\$ 48,440,470	\$ (1,269,583)	\$ 202,826	\$ 46,968,061

Capital asset activity for the Charter Township of Redford's component units for the year was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
<b>Component Units</b>				
Capital assets being depreciated - Buildings	\$ 57,489	\$ -	\$ -	\$ 57,489
Accumulated depreciation - Office equipment, furniture, and fixtures	57,489	-	-	57,489
Net capital assets	\$ -	\$ -	\$ -	\$ -

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 145,671
Public safety	459,560
Public works	183,357
Community and economic development	26,128
Recreation and culture	<u>48,536</u>

Total governmental activities \$ 863,252

Business-type activities:

Water and sewer	\$ 1,319,217
Senior housing	75,004
Ice rink	45,820
Golf course	<u>222,315</u>

Total business-type activities \$ 1,662,356

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
<b>Governmental Funds</b>		
General Fund	Nonmajor governmental funds	\$ 5,919
	Senior Housing Fund	27,308
	Nonmajor Enterprise Funds	42,920
	Internal Service Fund - Self Insurance	<u>41,000</u>
	Total General Fund	117,147
Nonmajor governmental funds	General Fund	16,778
	Nonmajor governmental funds	<u>91,340</u>
	Total nonmajor governmental funds	<u>108,118</u>
	Total Governmental Funds	225,265



# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
<b>Business-type Fund - Water and Sewer Fund</b>	General Fund	\$ 97,742
<b>Internal Service Funds</b>	Nonmajor governmental funds	18,000
	Water and Sewer Fund	82,000
	Senior Housing Fund	2,000
	Nonmajor Enterprise Funds	39,000
	Total Internal Service Funds	141,000
	Total	<u>\$ 464,007</u>

Interfund balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Improvement Fund	(1) \$ 264,900
	Road Improvement Fund	(1) 141,747
	Dial-A-Ride	(2) 50,000
	Total General Fund	456,647
Capital Improvement Fund	Road Improvement Fund	(1) 252,900
	Total	<u>\$ 709,547</u>

(1) Transfer for capital improvements

(2) Transfer for operations

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. The Building Authority bond commitments are limited by the Township's legal ability to levy property taxes.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds - 1991 Refunded Bonds - Unlimited Tax Bonds (Police station): Amount of issue - \$4,180,000 Maturing through 2011	5.00%	\$445,000 - \$590,000	\$ 2,970,000	\$ 410,000	\$ 2,560,000	\$ 450,000
Building Authority bonds:						
1998A Fire Station: Amount of issue - \$3,000,000 Maturing through 2018	4.40% - 4.50%	\$125,000 - \$250,000	2,350,000	125,000	2,225,000	125,000
1998B Service Building: Amount of issue - \$1,500,000 Maturing through 2018	4.40% - 4.50%	\$75,000 - \$125,000	1,250,000	50,000	1,200,000	75,000
1999 Service Building: Amount of issue - \$500,000 Maturing through 2017	4.20% - 5.00%	\$20,000 - \$55,000	410,000	20,000	390,000	20,000
Installment purchase agreements:						
1997 Computer Telephone System (1): Amount of issue - \$323,271 Maturing through 2005	-	-	34,160	34,160	-	-
1999 Township Hall/District Court Renovations: Amount of issue - \$968,326 Maturing through 2009	4.64%	\$106,631 - \$111,636	429,251	101,848	327,403	106,631
2000 Fire Truck: Amount of issue - \$310,000 Maturing through 2007	5.05%	\$50,905	99,568	48,663	50,905	50,905
Total governmental activities			\$ 7,542,979	\$ 789,671	\$ 6,753,308	\$ 827,536

(1) The bank equipment note payable is secured by specific equipment.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Reductions	Ending Balance	Due Within One Year
<b>Business-type Activities</b>						
General obligation bonds:						
1995 Limited Tax Bonds:	-	-	\$ 250,000	\$ 250,000	\$ -	\$ -
Amount of issue - \$5,050,000						
Maturing through 2006						
2004 Combined Sewer Overflow Refunding Bonds:	2.00% - 3.625%	\$450,000 - \$575,000	5,395,000	215,000	5,180,000	460,000
Amount of issue - \$5,495,000						
Maturing through 2016						
Building Authority bonds:						
1997 (Refunded Bonds) Golf Course Purchase:	4.60% - 5.10%	\$1,825 - \$180,476	504,206	160,952	343,254	157,302
Amount of issue - \$1,297,857						
Maturing through 2009						
1997 (Refunded Bonds) Senior Housing Project:	4.60% - 5.10%	\$162,698 - \$245,000	1,775,794	169,048	1,606,746	162,698
Amount of issue - \$2,257,143						
Maturing through 2013						
2004 Refunding Bonds Golf Course Purchase:	2.13% - 2.50%	\$5,000 - \$205,000	400,000	5,000	395,000	5,000
Amount of issue - \$410,000						
Maturing through 2009						
2004 Refunding Bonds Senior Housing Project:	2.13% - 4.00%	\$5,000 - \$350,000	1,665,000	5,000	1,660,000	5,000
Amount of issue - \$1,695,000						
Maturing through 2018						
Revenue bonds:						
Water Bonds Series 1998 - 1990 (Refunded Bonds):						
Revenue and Phase 7:	4.20% - 5.00%	\$125,000 - \$205,000	2,035,000	120,000	1,915,000	125,000
Amount of issue - \$4,490,000						
Maturing through 2018						
2001 Water Supply & Sewage Disposal System Bonds:	4.00% - 6.00%	\$175,000 - \$400,000	3,900,000	150,000	3,750,000	175,000
Amount of issue - \$4,200,000						
Maturing through 2020						
1994 Combined Sewer Overflow (I) State Revolving Fund Debt - Maturing through 2014	2.00%	\$17,897 - \$140,000	1,062,897	125,000	937,897	120,000
Deferred charge on refunding			(681,975)	128,926	(553,049)	(66,880)
Total business-type activities			\$ 16,305,922	\$ 1,328,926	\$ 15,234,848	\$ 1,143,120

- (1) This represents preliminary draws on the Michigan Municipal Bond Authority. The total financing is expected to be \$2,740,000. Principal payments began in 1997, with interest charged at 2 percent.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units</b>							
2005 American Legion Hall - Land Contract	6.69%						
Amount of issue \$230,000		\$ -					
Maturing through 2011		to \$230,000	\$ -	\$ 230,000	\$ -	\$ 230,000	\$ -
Limited Tax General Obligation Bonds, Series 2006A	5.15%-5.7%						
Amount of issue - \$3,670,000		\$ -					
Maturing through 2026		to \$400,000	-	3,670,000	-	3,670,000	-
Total component unit activities			\$ -	\$ 3,900,000	\$ -	\$ 3,900,000	\$ -

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 6 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 827,536	\$ 316,779	\$ 1,144,315	\$ 1,210,000	\$ 613,266	\$ 1,823,266	\$ -	\$ 219,492	\$ 219,492
2008	806,638	277,054	1,083,692	1,290,000	570,984	1,860,984	-	219,492	219,492
2009	849,134	238,589	1,087,723	1,345,000	522,318	1,867,318	-	219,492	219,492
2010	845,000	199,140	1,044,140	1,420,000	476,437	1,896,437	45,000	218,331	263,331
2011	890,000	158,165	1,048,165	1,230,000	426,611	1,656,611	330,000	199,212	529,212
2012-2016	1,755,000	115,160	1,870,160	6,447,897	1,388,628	7,836,525	650,000	903,608	1,553,608
2017-2021	780,000	52,250	832,250	2,845,000	263,675	3,108,675	1,125,000	669,960	1,794,960
2022-2026	-	-	-	-	-	-	1,750,000	263,625	2,013,625
Total	<u>\$ 6,753,308</u>	<u>\$ 1,357,137</u>	<u>\$ 8,110,445</u>	<u>\$ 15,787,897</u>	<u>\$ 4,261,919</u>	<u>\$ 20,049,816</u>	<u>\$ 3,900,000</u>	<u>\$ 2,913,212</u>	<u>\$ 6,813,212</u>

**Interest** - Total interest incurred by the Township for the year was approximately \$1,005,000.

In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At March 31, 2006, \$8,935,000 of bonds outstanding are considered defeased.

### Note 7 - Restricted Assets

Restricted assets of the Water and Sewer Fund at March 31, 2006 consist of the following:

Cash and cash equivalents	\$ 970,250
Assets held at Wayne County for sewer line construction	<u>22,931</u>
Total assets restricted	<u>\$ 993,181</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 7 - Restricted Assets (Continued)

The assets are restricted for the following purposes:

1998 Revenue Bonds debt	\$ 215,250
2001 Revenue Bonds debt	395,000
Sewage transmission line construction	22,931
Combined sewer overflow - Bond debt	<u>360,000</u>
Total	<u>\$ 993,181</u>

### Note 8 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the Township is self-insured for medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 8 - Risk Management (Continued)

The Township estimates the liability for general liability and medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability	Medical Benefits
Unpaid claims - April 1, 2004	\$ 659,750	\$ 768,973
Incurred claims (including claims incurred but not reported)	1,298,260	4,200,634
Claim payments	(986,622)	(3,969,607)
Unpaid claims - March 31, 2005	971,388	1,000,000
Incurred claims (including claims incurred but not reported)	1,269,512	3,781,215
Claim payments	(1,052,561)	(3,781,215)
Unpaid claims - March 31, 2006	<u>\$ 1,188,339</u>	<u>\$ 1,000,000</u>

### Note 9 - Fund Balance and Net Asset Reservations and Restrictions

The General Fund has reserved fund balance in the following amounts:

Reserved for restricted contributions	\$ 7,249
Reserved for police resource program	24,233
Reserved for ACT 302 training	22,929
Reserved for street lighting	72,808
Reserved for probation work release program	6,015
Reserved for youth program	9,281
Reserved for long-term receivables	57,705
Other reserves	<u>11,308</u>
Total	<u>\$ 211,528</u>

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### **Note 9 - Fund Balance and Net Asset Reservations and Restrictions (Continued)**

The General Fund has designated fund balance for working capital needs of \$9,501,818. The working capital designation represents amounts needed to finance Township operations from April 1 until property taxes are collected again in December. Approximately two-thirds or \$9.2 million of the annual property tax levy and, in addition, a percentage of the annual budgeted expenditures are needed for this purpose.

Net assets restricted for other purposes are composed of the following:

Street lighting	\$ 72,808
Probation work release program	6,015
Other General Fund restrictions	75,000
Dial-A-Ride	19,610
911 dispatch	278,379
Police station	217,179
Home grant	88,925
Court building improvement	<u>775,001</u>
Total	<u>\$ 1,532,917</u>

### **Note 10 - Single-employer Defined Benefit Pension Plan**

#### **Police and Fire Retirement System**

**Plan Description** - The Police and Fire Pension Plan is a combination of a single-employer defined benefit pension plan and a single-employer defined contribution plan. The defined contribution portion of the plan was set up for the annual employees' contribution. The assets of the defined contribution plan are used to fund the defined benefit pension plan. Therefore, the two plans work together as a defined benefit pension plan. The plan is administered by the Redford Township Police and Fire Employees Retirement System; this plan covers substantially all police and fire employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At March 31, 2005, the date of the most recent actuarial valuation, membership consisted of 124 retirees and beneficiaries currently receiving benefits. The plan does not issue a separate financial report.

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

**Contributions** - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units. The Township has assumed the responsibility to contribute 5 percent of employees' covered wages on behalf of the police and fire employees.

**Annual Pension Cost** - For the year ended March 31, 2006, the Township's annual pension cost was \$3,808,649. The actuarial valuation required a contribution of \$3,799,791; the interest on the cumulative prior year overpayments (net pension asset) was \$4,436 and the effect of the net pension asset on normal cost was \$13,294. The Township's actual contribution was \$3,799,791. The annual required contribution was determined as part of an actuarial valuation at March 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.5 investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.40 percent per year, attributable to merit/seniority. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2006	2005	2004
Annual pension costs (APC)	\$ 3,808,649	\$ 3,270,092	\$ 3,061,809
Percentage of APC contributed	99.77%	99.75%	99.75%
Net pension obligation (asset)	\$ (54,507)	\$ (63,365)	\$ (71,644)



# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

#### Municipal Employees' Retirement System of Michigan

**Plan Description** - The Township also participates in the Municipal Employees' Retirement System of Michigan, an agent multiple-employer defined benefit pension plan that covers a substantial number of employees of the Township other than police and fire employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3 percent to 5 percent, which is paid by the Township.

**Annual Pension Cost** - For the year ended March 31, 2006, the Township's annual pension cost of \$1,196,321 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year attributable to inflation, and (c) additional projected salary increases ranging from 0 percent to 4.16 percent per year, attributable to seniority/merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information is as follows:

	Fiscal Year Ended March 31		
	2006	2005	2004
Annual pension costs (APC)	\$ 1,196,321	\$ 1,104,980	\$ 1,037,873
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

# Charter Township of Redford

## Notes to Financial Statements March 31, 2006

### Note 10 - Single-employer Defined Benefit Pension Plan (Continued)

	Valuation Year Ended December 31		
	2004	2003	2002
Actuarial value of assets	\$ 28,552,081	\$ 27,131,886	\$ 25,510,996
Actuarial accrued liability (AAL)	\$ 34,418,686	\$ 33,515,397	\$ 30,659,246
Unfunded AAL (UAAL)	\$ 5,866,605	\$ 6,383,511	\$ 5,148,250
Funded ratio	83%	81%	83%
Covered payroll	\$ 6,088,153	\$ 6,593,419	\$ 6,153,857
UAAL as a percentage of covered payroll	96%	97%	84%

### Note 11 - Commitments

The Township has entered into a contract with a corporation that will manage the operations of the Glenhurst Golf Course. Under the terms of this contract, the Township has agreed to pay the corporation from its Golf Course (Enterprise) Fund a minimum fee of \$624,000 between April 1, 2006 and March 31, 2007 for services rendered during calendar year 2006. The Township has agreed to pay additional fees if certain golf course revenue is attained.

### Note 12 - Other Postemployment Benefits

The Township provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, approximately 215 retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its health care plan, with no contribution required by the participant. The Township provides Medicare supplemental coverage for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the claims become due; during the year, this amounted to approximately \$2,720,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

## **Required Supplemental Information**

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# Charter Township of Redford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 9,563,608	\$ 9,277,908	\$ 9,277,908	\$ -
<b>Resources (Inflows)</b>				
Property taxes	14,673,558	14,713,558	14,572,985	(140,573)
Permits and licenses	512,220	495,220	521,260	26,040
State sources	5,694,000	5,904,800	5,837,302	(67,498)
Federal-shared and grant revenue	40,264	47,865	104,876	57,011
Charges for services	923,150	965,750	1,053,745	87,995
Fines and forfeitures	3,167,270	3,359,070	3,416,870	57,800
Interest income	160,000	360,000	633,134	273,134
Other	1,100,874	1,262,393	1,232,235	(30,158)
Total resources (inflows)	26,271,336	27,108,656	27,372,407	263,751
<b>Charges to Appropriations (Outflows)</b>				
General government:				
Legislative	69,146	71,646	70,348	1,298
District court	1,467,542	1,500,542	1,442,535	58,007
Criminal justice	678,000	678,000	662,406	15,594
Probation	307,118	292,118	241,624	50,494
Work program	114,674	89,674	89,534	140
Drug court grant	76,002	52,502	38,245	14,257
Executive	291,308	145,509	140,377	5,132
Elections	67,116	90,116	84,107	6,009
Accounting	421,983	421,983	397,300	24,683
Assessor	263,356	263,356	245,936	17,420
Attorney	132,000	132,000	105,064	26,936
Clerk	393,707	393,707	388,632	5,075
Civil service	181,606	181,606	180,779	827
Police and fire civil service	7,110	10,110	8,628	1,482
Treasurer	411,919	426,919	423,515	3,404
Information systems department	439,031	439,031	397,208	41,823
Public service building maintenance	208,800	208,800	206,310	2,490
Board of Review	8,235	8,235	9,930	(1,695)
Buildings and grounds	484,941	511,941	484,933	27,008
General government	1,114,330	1,359,230	1,563,038	(203,808)
Public safety:				
Police	9,532,680	9,887,680	9,799,154	88,526
Police Katrina cost	-	25,000	20,386	4,614
Old library MTCE	-	13,250	8,482	4,768
School resource officer	210,020	210,020	193,066	16,954
School crossing guard	54,302	54,302	44,494	9,808
Central dispatch	155,483	185,483	165,409	20,074
Fire	6,700,099	6,729,464	6,798,313	(68,849)

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information in this schedule is presented for the purpose of additional analysis.

# Charter Township of Redford

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Charges to Appropriations (Outflows) (Continued)</b>				
Public safety (Continued):				
Fire Katrina cost	\$ -	\$ 35,000	\$ 28,890	\$ 6,110
Transportation	37,500	37,500	38,207	(707)
Public works:				
Department of Public Works	243,795	314,795	302,677	12,118
Highways and streets	899,175	1,049,175	1,066,287	(17,112)
Health and welfare - Animal control	168,547	168,547	170,176	(1,629)
Recreation and culture:				
Recreation and parks	439,319	460,819	438,058	22,761
Parks facilities	473,135	490,135	474,913	15,222
Boards and commission:				
Planning	56,507	56,507	48,632	7,875
Board of Appeals	35,208	35,208	35,199	9
Site	3,500	6,000	6,345	(345)
Historical	22,700	22,700	23,985	(1,285)
Sister city commission	8,775	8,775	7,481	1,294
Rehab review	400	400	-	400
Beautification commission	17,500	17,500	14,962	2,538
Youth commission	1,000	2,000	3,372	(1,372)
Senior citizens commission	23,036	23,036	14,069	8,967
Community promotion	50,000	50,000	48,234	1,766
Redford redevelopment	-	6,000	5,729	271
Total charges to appropriations	26,270,605	27,166,321	26,936,969	229,352
<b>Fund Balance - End of year</b>	<b>\$ 9,564,339</b>	<b>\$ 9,220,243</b>	<b>\$ 9,713,346</b>	<b>\$ 493,103</b>

The Township's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information in this schedule is presented for the purpose of additional analysis.

# Charter Township of Redford

## Required Supplemental Information Pension System Schedule of Funding Progress March 31, 2006

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
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### Police and Fire Retirement System

03/31/00	\$ 64,000,000	\$ 59,400,000	\$ (4,600,000)	107.7	\$ 5,900,000	(78.0)
03/31/01	65,300,000	64,000,000	(1,300,000)	102.0	6,400,000	(20.3)
03/31/02	64,500,000	66,000,000	1,500,000	97.7	6,600,000	22.7
03/31/03	63,000,000	69,600,000	6,600,000	90.5	6,200,000	106.5
03/31/04	62,100,000	73,700,000	11,600,000	84.3	6,500,000	178.5
03/31/05	62,700,000	77,200,000	14,500,000	81.2	6,700,000	216.4

The schedule of employer contributions is as follows:

### Police and Fire Retirement System

Fiscal Year Ended March 31	Annual Required Contribution*	Percentage Contributed	Net Pension Obligation (Asset)
2001	\$ 1,785,632	99.65	\$ (93,370)
2002	2,154,679	99.69	(86,612)
2003	2,759,080	99.74	(79,381)
2004	3,061,809	99.75	(71,644)
2005	3,270,092	99.75	(63,365)
2006	3,808,649	99.77	(54,507)

\* The required contribution is expressed to the Township as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of March 31, 2005, the latest actuarial valuation, follows:

Actuarial cost method	Entry age actuarial cost method
Amortization method	Level percent of payroll
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-9.6%
*Includes inflation at	4.5%
Cost of living adjustments	N/A

# Charter Township of Redford

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## Note to Required Supplemental Information March 31, 2006

### Note - Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's *Bulletin for Audits of Local Units of Government in Michigan* dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget on a fund-total basis for all funds, which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. The Community Development Block Grant Fund's budget is adopted on a project basis, and does not lapse at year end. A comparison of actual results of operations to the General Fund budget adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor on or before 75 days prior to the commencement of the fiscal and budgetary year (April 1) shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The board shall, on or before 15 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

# Charter Township of Redford

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## **Note to Required Supplemental Information March 31, 2006**

### **Note - Budgetary Information (Continued)**

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as other financing sources (uses), grant revenue to reimburse capital expenditures has been included in expenditures rather than revenue, and reimbursements from other funds for wage expense have been included as other revenue rather than as an offset to expenditures.

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

**Fund Deficit** - The Township has an accumulated deficit in the following funds:

The Community Development Block Grant Fund has an accumulated deficit of \$91,340 at March 31, 2006 on a modified accrual basis that will be eliminated upon receipt of federal reimbursements.

The Brownfield Redevelopment Financing Authority has an accumulated deficit of \$84,799 at March 31, 2006 on a modified accrual basis that will be eliminated with future property tax capture. A deficit elimination plan is currently on file with the Department of Treasury.



## **Other Supplemental Information**

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# Charter Township of Redford

Special Revenue Funds							
	Dial-A-Ride	Community Development Block Grant	Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement
<b>Assets</b>							
Cash and investments	\$ 8,020	\$ 7,577	\$ 88,925	\$ 1,463,436	\$ 2,091,931	\$ 283,832	\$ 22,130
Receivables - Net	27,458	719,799	-	-	388,534	-	-
Due from other funds	-	1,778	-	-	-	-	-
Due from other governmental units	-	95,085	-	-	-	-	-
Total assets	<u>\$ 35,478</u>	<u>\$ 824,239</u>	<u>\$ 88,925</u>	<u>\$ 1,463,436</u>	<u>\$ 2,480,465</u>	<u>\$ 283,832</u>	<u>\$ 22,130</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 3,663	\$ 8,195	\$ -	\$ 33,485	\$ 190,389	\$ -	\$ 15,060
Accrued liabilities	4,205	4,905	-	-	10,301	5,453	-
Due to other funds	8,000	91,340	-	-	10,000	-	359
Due to other governmental units	-	-	-	-	-	-	6,507
Deferred revenue	16,226	811,139	88,925	-	388,534	-	-
Total liabilities	32,094	915,579	88,925	33,485	599,224	5,453	21,926
<b>Fund Balances</b>							
Reserved	-	-	-	-	-	8,195	-
Unreserved:							
Designated	-	-	-	-	-	-	-
Undesignated	3,384	(91,340)	-	1,429,951	1,881,241	270,184	204
Total fund balances	3,384	(91,340)	-	1,429,951	1,881,241	278,379	204
Total liabilities and fund balances	<u>\$ 35,478</u>	<u>\$ 824,239</u>	<u>\$ 88,925</u>	<u>\$ 1,463,436</u>	<u>\$ 2,480,465</u>	<u>\$ 283,832</u>	<u>\$ 22,130</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2006**

Debt Service  
Fund

Capital Projects Funds

								Total Nonmajor
		Capital					Court Building	Governmental
Police Station	Improvement	Police Station	Drain	Public Improvement - Storm Water	Sidewalk Improvement	Road Improvement	Improvement	Funds
\$ 500,000	\$ 824,672	\$ 217,179	\$ 766,496	\$ 527,804	\$ 604,113	\$ 312,071	\$ 757,200	\$ 8,475,386
67,444	-	-	4,894	-	1,072,933	216,022	-	2,497,084
-	-	-	-	-	-	106,340	-	108,118
-	-	-	-	-	-	-	17,801	112,886
<b>\$ 567,444</b>	<b>\$ 824,672</b>	<b>\$ 217,179</b>	<b>\$ 771,390</b>	<b>\$ 527,804</b>	<b>\$ 1,677,046</b>	<b>\$ 634,433</b>	<b>\$ 775,001</b>	<b>\$ 11,193,474</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 107,999	\$ -	\$ 358,791
-	-	-	-	-	-	270,144	-	295,008
5,560	-	-	-	-	-	-	-	115,259
-	-	-	-	-	-	-	-	6,507
67,444	-	-	-	-	1,012,978	212,824	-	2,598,070
73,004	-	-	-	-	1,012,978	590,967	-	3,373,635
494,440	-	-	-	-	-	43,397	-	546,032
-	824,672	217,179	771,390	527,804	664,068	69	775,001	3,780,183
-	-	-	-	-	-	-	-	3,493,624
494,440	824,672	217,179	771,390	527,804	664,068	43,466	775,001	7,819,839
<b>\$ 567,444</b>	<b>\$ 824,672</b>	<b>\$ 217,179</b>	<b>\$ 771,390</b>	<b>\$ 527,804</b>	<b>\$ 1,677,046</b>	<b>\$ 634,433</b>	<b>\$ 775,001</b>	<b>\$ 11,193,474</b>

# Charter Township of Redford

	Special Revenue Funds						
	Dial-A-Ride	Community Development Block Grant	Home Grant	Drug Law Enforcement	Solid Waste Management	911 Dispatch	Local Law Enforcement
<b>Revenue</b>							
Property taxes	\$ 140,897	\$ -	\$ -	\$ -	\$ 3,391,339	\$ -	\$ -
State sources	114,470	-	-	-	-	1,721	-
Federal sources	-	1,259,090	46,124	-	-	-	15,264
Charges for services	20,690	-	-	-	-	256,613	-
Fines and forfeitures	-	-	-	1,014,800	-	-	-
Interest income	-	-	-	47,362	-	11,289	-
Local contributions	-	-	-	-	-	-	-
Other	32,374	-	-	13,270	12,529	-	-
<b>Total revenue</b>	<b>308,431</b>	<b>1,259,090</b>	<b>46,124</b>	<b>1,075,432</b>	<b>3,403,868</b>	<b>269,623</b>	<b>15,264</b>
<b>Expenditures</b>							
Current:							
Public safety	-	-	-	319,571	-	269,083	15,060
Public works	-	-	-	-	3,237,003	-	-
Health and welfare	379,110	-	-	-	-	-	-
Community and economic development	-	1,350,430	46,124	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>379,110</b>	<b>1,350,430</b>	<b>46,124</b>	<b>319,571</b>	<b>3,237,003</b>	<b>269,083</b>	<b>15,060</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(70,679)</b>	<b>(91,340)</b>	<b>-</b>	<b>755,861</b>	<b>166,865</b>	<b>540</b>	<b>204</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	50,000	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(20,679)</b>	<b>(91,340)</b>	<b>-</b>	<b>755,861</b>	<b>166,865</b>	<b>540</b>	<b>204</b>
<b>Fund Balances - Beginning of year</b>	<b>24,063</b>	<b>-</b>	<b>-</b>	<b>674,090</b>	<b>1,714,376</b>	<b>277,839</b>	<b>-</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 3,384</b>	<b>\$ (91,340)</b>	<b>\$ -</b>	<b>\$ 1,429,951</b>	<b>\$ 1,881,241</b>	<b>\$ 278,379</b>	<b>\$ 204</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances (Deficit) - Nonmajor Governmental Funds**  
**Year Ended March 31, 2006**

Debt Service Fund		Capital Projects Funds						
					Public			Total Nonmajor
Police Station	Capital Improvement	Police Station	Drain	Improvement - Storm Water	Sidewalk Improvement	Road Improvement	Court Building Improvement	Governmental Funds
\$ 563,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,095,416
-	-	-	-	-	-	-	-	116,191
-	-	-	-	-	-	-	-	1,320,478
-	-	-	-	-	687,679	-	-	964,982
-	-	-	-	-	-	-	194,535	1,209,335
18,993	-	8,847	26,493	21,657	72,506	33,881	27,703	268,731
-	-	-	-	-	-	512,472	-	512,472
-	-	-	-	-	-	38,346	-	96,519
582,173	-	8,847	26,493	21,657	760,185	584,699	222,238	8,584,124
-	-	-	-	-	-	-	-	603,714
-	-	-	-	24,520	-	-	13,574	3,275,097
-	-	-	-	-	-	-	-	379,110
-	-	-	-	-	-	-	-	1,396,554
-	155,178	15,000	-	-	683,460	1,187,118	-	2,040,756
554,400	-	-	-	-	-	-	-	554,400
554,400	155,178	15,000	-	24,520	683,460	1,187,118	13,574	8,249,631
27,773	(155,178)	(6,153)	26,493	(2,863)	76,725	(602,419)	208,664	334,493
-	264,900	-	-	-	-	394,647	-	709,547
-	(252,900)	-	-	-	-	-	-	(252,900)
-	12,000	-	-	-	-	394,647	-	456,647
27,773	(143,178)	(6,153)	26,493	(2,863)	76,725	(207,772)	208,664	791,140
466,667	967,850	223,332	744,897	530,667	587,343	251,238	566,337	7,028,699
\$ 494,440	\$ 824,672	\$ 217,179	\$ 771,390	\$ 527,804	\$ 664,068	\$ 43,466	\$ 775,001	\$ 7,819,839

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2006

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 4,698	\$ 597,886	\$ 188,847	\$ 791,431
Receivables - Net	1,881	-	19,377	21,258
Inventories and other assets	-	14,258	-	14,258
Total current assets	6,579	612,144	208,224	826,947
Noncurrent assets:				
Unamortized bond issuance costs	-	35,427	-	35,427
Capital assets	406,425	3,179,085	-	3,585,510
Unamortized goodwill	-	143,680	-	143,680
Total noncurrent assets	406,425	3,358,192	-	3,764,617
Total assets	413,004	3,970,336	208,224	4,591,564
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	-	18,553	1,685	20,238
Accrued liabilities	-	11,413	2,859	14,272
Due to other funds	32,677	44,243	5,000	81,920
Other liabilities and advances	-	60	-	60
Current portion of long-term debt	-	149,822	-	149,822
Total current liabilities	32,677	224,091	9,544	266,312
Noncurrent liabilities:				
Provision for compensated absences	-	-	181,613	181,613
Long-term debt - Net of current portion	-	538,513	-	538,513
Total noncurrent liabilities	-	538,513	181,613	720,126
Total liabilities	32,677	762,604	191,157	986,438
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	406,425	2,490,750	-	2,897,175
Unrestricted	(26,098)	716,982	17,067	707,951
Total net assets	<u>\$ 380,327</u>	<u>\$ 3,207,732</u>	<u>\$ 17,067</u>	<u>\$ 3,605,126</u>

# Charter Township of Redford

## Other Supplemental Information

### Combining Statement of Revenue, Expenses, and Changes in Net Assets

### Nonmajor Enterprise Funds

### Year Ended March 31, 2006

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Operating Revenue</b>				
Charges for services	\$ 113,899	\$ 1,397,389	\$ -	\$ 1,511,288
Permits	-	-	840,229	840,229
Total operating revenue	113,899	1,397,389	840,229	2,351,517
<b>Operating Expenses</b>				
General and administrative costs	25,633	1,059,077	859,946	1,944,656
Depreciation and amortization	45,821	280,417	-	326,238
Total operating expenses	71,454	1,339,494	859,946	2,270,894
<b>Operating Income (Loss)</b>	42,445	57,895	(19,717)	80,623
<b>Nonoperating Revenue (Expense)</b>				
Interest income	-	25,662	1,071	26,733
Interest expense	-	(29,431)	-	(29,431)
Gain on disposal of assets	-	19,000	-	19,000
Total nonoperating revenue	-	15,231	1,071	16,302
<b>Change in Net Assets</b>	42,445	73,126	(18,646)	96,925
<b>Net Assets - Beginning of year</b>	337,882	3,134,606	35,713	3,508,201
<b>Net Assets - End of year</b>	<u>\$ 380,327</u>	<u>\$ 3,207,732</u>	<u>\$ 17,067</u>	<u>\$ 3,605,126</u>

# Charter Township of Redford

## Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended March 31, 2006

	Indoor Ice Rink	Golf Course	Protective Inspection	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 112,018	\$ 1,397,389	\$ 856,132	\$ 2,365,539
Payments to suppliers	(82,037)	(1,067,843)	(82,603)	(1,232,483)
Payments to employees	(27,256)	-	(804,491)	(831,747)
Internal activity - Receipts from other funds	1,823	24,185	5,000	31,008
Net cash provided by (used in) operating activities	4,548	353,731	(25,962)	332,317
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from sale of assets	-	19,000	-	19,000
Purchase of capital assets	-	(108,583)	-	(108,583)
Principal and interest paid on capital debt	-	(198,434)	-	(198,434)
Net cash used in capital and related financing activities	-	(288,017)	-	(288,017)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	-	25,662	1,071	26,733
Purchase of investment securities	-	(162)	-	(162)
Net cash provided by investing activities	-	25,500	1,071	26,571
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	4,548	91,214	(24,891)	70,781
<b>Cash and Cash Equivalents - Beginning of year</b>	150	501,750	213,738	715,638
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 4,698</u>	<u>\$ 592,964</u>	<u>\$ 188,847</u>	<u>\$ 786,509</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 4,698	\$ 597,886	\$ 188,847	\$ 791,431
Less amounts classified as investments	-	(4,922)	-	(4,922)
Total cash and cash equivalents	<u>\$ 4,698</u>	<u>\$ 592,964</u>	<u>\$ 188,847</u>	<u>\$ 786,509</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 42,445	\$ 57,895	\$ (19,717)	\$ 80,623
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	45,821	280,417	-	326,238
Changes in assets and liabilities:				
Receivables	(1,881)	-	15,903	14,022
Inventory and other assets	3,484	(3,814)	-	(330)
Accounts payable	(13,545)	(1,137)	(334)	(15,016)
Accrued and other liabilities	(73,599)	(3,815)	(26,814)	(104,228)
Due to other funds	1,823	24,185	5,000	31,008
Net cash provided by (used in) operating activities	<u>\$ 4,548</u>	<u>\$ 353,731</u>	<u>\$ (25,962)</u>	<u>\$ 332,317</u>

There was no significant noncash investing, capital, or financing activities during the year ended March 31, 2006.



# **Charter Township of Redford**

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**Federal Awards  
Supplemental Information  
March 31, 2006**

# Charter Township of Redford

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## Independent Auditor's Report

To the Board of Trustees  
Charter Township of Redford

We have audited the basic financial statements of the Charter Township of Redford for the year ended March 31, 2006 and have issued our report thereon dated July 27, 2006. Those basic financial statements are the responsibility of the management of the Charter Township of Redford. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Charter Township of Redford taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

July 27, 2006

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Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees  
Charter Township of Redford

We have audited the financial statements of the Charter Township of Redford as of and for the year ended March 31, 2006 and have issued our report thereon dated July 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Redford's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Redford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*.

To the Board of Trustees  
Charter Township of Redford

This report is intended solely for the information and use of management and the township board and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

July 27, 2006

**Report on Compliance with Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees  
Charter Township of Redford

**Compliance**

We have audited the compliance of the Charter Township of Redford with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2006. The major federal program of the Charter Township of Redford is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Redford's management. Our responsibility is to express an opinion on the Charter Township of Redford's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Redford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Redford's compliance with those requirements.

In our opinion, the Charter Township of Redford complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2006.

To the Board of Trustees  
Charter Township of Redford

### **Internal Control Over Compliance**

The management of the Charter Township of Redford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Redford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the township board and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

July 27, 2006

# Charter Township of Redford

## Schedule of Expenditures of Federal Awards Year Ended March 31, 2006

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:			
Program year 2004 - B-04-MC-26-0029	14.218	N/A	\$ 100,225
Program year 2005 - B-05-MC-26-0029	14.218	N/A	<u>1,250,205</u>
Total Community Development Block Grant			1,350,430
HOME Investment Partnership Program - Passed through the State of Michigan	14.239	M-2002-5542	<u>46,124</u>
Total U.S. Department of Housing and Urban Development			1,396,554
U.S. Department of Justice - Passed through the State of Michigan:			
Byrne Formula Grant Program - Intensive supervision probation	16.579	9X-DB-VX-0026	57,000
Local Law Enforcement Block Grant 2003	16.592	2003-LB-BX-2770	<u>15,060</u>
Total U.S. Department of Justice			72,060
Office of National Drug Control Policy - Southeastern Michigan:			
HIDTA - 2003 administrative support initiative	07.000	I3PSMP502	70,765
HIDTA - 2004 administrative support initiative	07.000	I4PSMP501Z	705,336
HIDTA - 2005 administrative support initiative	07.000	I5PSMP502Z	<u>2,085,069</u>
Total HIDTA			2,861,170
Passed through the Michigan State Police - HIDTA - 2006 administrative support initiative	07.000	I6PSMP503Z	<u>145,690</u>
Total Office of National Drug Control Policy			3,006,860
Department of Homeland Security - Passed through the State of Michigan - Assistance to Firefighters Grant Program	97.445	EMW-2004-FG-19375	<u>40,264</u>
Total federal awards			<u><u>\$ 4,515,738</u></u>



# Charter Township of Redford

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended March 31, 2006**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,432,214
Less federal revenue not received within 60 days of year end in prior year in the governmental funds	(7,612)
Plus federal revenue not received within 60 days of year end in the governmental funds	<u>91,136</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 4,515,738</u></u>

# Charter Township of Redford

## Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2006

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Redford and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	8,000

# Charter Township of Redford

## Schedule of Findings and Questioned Costs Year Ended March 31, 2006

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

07.000	HIDTA administrative support initiative
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Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **Charter Township of Redford**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2006**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None



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July 27, 2006

To the Board of Trustees  
Charter Township of Redford  
15145 Beech Daly Road  
Redford, MI 48239

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Redford, Michigan for the year ended March 31, 2006. As a result of our audit, and in addition to our financial report, we offer the following comments and recommendations. Before getting into the specifics of our comments, we would like to take this opportunity to compliment your staff and management for the overall positive condition of the financial records and related documentation.

### **Legislative Issues**

#### **State-shared Revenue**

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue-sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue-sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state-shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue-sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue-sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long-term solution to the State's structural deficit in its General Fund, and as long as this condition exists, revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

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State-shared revenue accounts for approximately 21 percent of the Township's total General Fund revenue. The table below details state-shared revenue for the Township over the past five years, plus the estimated amounts for 2006 and 2007, broken out by statutory and constitutional portions. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2000.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2000</u>
2000	\$ 3,599,108	\$ 3,686,742	\$ 7,285,850	\$ -
2001	3,834,941	3,349,865	7,184,806	101,044
2002	3,498,214	3,383,987	6,882,201	403,649
2003	3,104,691	3,441,277	6,545,968	739,882
2004	2,479,309	3,403,898	5,883,207	1,402,643
2005	2,333,950	3,485,130	5,819,080	1,466,770
2006	2,209,865	3,543,149	5,753,014	1,532,836
2007	2,110,481	3,642,533	5,753,014	1,532,836

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the Township has approximately \$2,333,950 at risk in its General Fund budget based on 2005 funding levels. We will continue to update the Township as developments occur. The statutory formula expires in 2007 and requires action by the Legislature.

### **Taxing Municipal Recreation Operations**

During the State's fiscal year 2005/2006 budget discussions, a proposal was introduced to put certain municipal operations that are in competition with the private sector on an equal playing field by requiring them to pay certain state taxes paid by the private sector. The main target appears to be municipal golf course operations, but other recreation operations (such as ice arenas) could become part of the scope. There have been hearings on the subject and it is not clear which direction this issue will take in the future.

### **Property Assessment Cap**

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2006	3.3%
2005	2.3%
2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

The 2005 inflation factor was used for property taxes levied in the Township's fiscal year ended March 31, 2006. Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended March 31, 2006, the Township's Headlee maximum property tax rate for its operating levy was 4.2673 mills even though the Township Charter's legal source of millage authorization would allow the Township to levy 5.00 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue, particularly given the significant gap that now exists between taxable value and state equalized value.

### **Telecommunications Act Changes**

Changes were made by the Legislature to restrict the ability of local governments to engage in telecommunications activities. Additionally, threats exist at both the federal and state level to restrict or eliminate the ability of local governments to regulate and franchise cable television, which would impact franchise fees received by local governments. We encourage the Township to monitor their developments closely given the impact that a reduction in cable franchise fees could have on the Township's budget.

### **Municipal Finance Act Revisions - Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's March 31, 2006 year end and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units.

### **Funding of the Postemployment Benefit Obligations**

As mentioned in the previous year, the Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Township's fiscal year ending March 31, 2009. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.



July 27, 2006

We would like to again express our appreciation for the assistance and cooperation we have received from all the Township officials and their staff during the course of our examination. If any questions arise upon reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "David Helisek". The signature is fluid and cursive.

David H. Helisek

A handwritten signature in black ink, appearing to read "Wendy Trumbull". The signature is fluid and cursive.

Wendy N. Trumbull